

Message Text

UNCLASSIFIED

PAGE 01 NEW DE 05351 080714Z
ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AGRE-00 CIAE-00 COME-00
INR-10 LAB-04 NSAE-00 SP-02 STR-07 TRSE-00 FRB-01
OMB-01 /044 W
-----055384 082205Z /66

R 061313Z APR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 735

UNCLAS NEW DELHI 5351

E.O. 11652: N/A
TAGS: EIND IN
SUBJECT: ALLEGED MALPRACTICES IN TEXTILE EXPORT QUOTA
ALLOCATION

REF: BOMBAY 0836

FOLLOWING SENT ACTION NEW DELHI INFO CALCUTTA MADRAS
FROM BOMBAY APR 05 IS REPEATED

QUOTE
UNCLAS BOMBAY 0836

E. O. 11652: N/A
TAGS: EIND, IN
SUBJ: ALLEGED MALPRACTICES IN TEXTILE EXPORT QUOTA
ALLOCATION

1. FOLLOWING ALLEGATIONS OF MALPRACTICES IN THE ALLOCATION
OF QUOTAS FOR EXPORT OF APPAREL, THE DIRECTOR-GENERAL OF
THE COTTON TEXTILE EXPORT PROMOTION COUNCIL (TEXPROCIL), MR.
VISWANATHAN RESIGNED ON MARCH 29. SECRETARY OF TEXPROCIL,
MR. N. GOPALKRISHNAN, ALSO RESIGNED SUBSEQUENTLY. SEVERAL
ADMINISTRATIVE CHANGES IN TEXPROCIL ARE ANTICIPATED.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 05351 080714Z

2. ACCORDING TO THE DIRECTOR, READYMADE GARMENTS SECTION OF
TEXPROCIL, THE ALLOCATION OF QUOTAS FOR EXPORT OF APPAREL
TO THE U.S. AND THE E.E.C. WERE ALLEGEDLY MADE ON A
PARTISAN BASIS. LARGE EXPORTERS RECEIVED SUBSTANTIAL SHARE
OF QUOTAS TO THE DETRIMENT OF SMALL AND MEDIUM EXPORTERS.
INDUSTRY SOURCES STATED THAT THE UNEVEN ALLOCATION OF
QUOTAS WAS FURTHER COMPOUNDED BY FREQUENT CHANGES IN THE

BASIS OF ALLOCATIONS BY TEXPROCIL WHICH AGAIN APPEARED TO FAVOR LARGE AND INFLUENTIAL EXPORTERS. ACCORDING TO THE CLOTHING MANUFACTURERS ASSOCIATION, SOME EXPORTERS APPLIED FOR EXAGGERATED ALLOCATIONS AND PRESENTED FICTITIOUS CONTRACTS AT HIGH PRICES IN AN ATTEMPT TO CORNER LARGE SHARES OF THE U.S. AND E.E.C. QUOTAS. REPORTEDLY, SOME OF THESE EXPORTERS THEN SOLD PART OF THEIR ALLOCATIONS AT PREMIUMS RANGING FROM RS.1 TO RS.1.50 PER PIECE OF APPAREL.

3. BETWEEN JANUARY 16, THE DAY WHEN QUOTA ALLOCATIONS COMMENCED, AND FEBRUARY 13, QUOTAS WERE ALLOCATED PARTLY ON FIRST-COME-FIRST-SERVED BASIS (SUBJECT TO A MINIMUM PRICE OF RS.12 OR \$1.50 PER PEICE), AND PARTLY ON THE BASIS OF CONTRACTS REALIZING HIGHEST PRICES. ON FEBRUARY 13, TEXPROCIL MADE A CHANGE WHEREBY 10 PERCENT OF THE AVAILABLE QUOTA WAS RESERVED FOR ALLOCATION TO WOVEN APPAREL EXPORTERS AND THE MINIMUM PRICE FOR SUCH APPAREL WAS RAISED TO RS.40 (OR \$5) PER PIECE. AGAIN ON MARCH 15, THE BASIS OF ALLOCATION WAS CHANGED AND TEXPROCIL ANNOUNCED CUT-OFF PRICES FOR A NUMBER OF TYPE OF APPAREL THUS ELIMINATING MANY APPLICANTS HAVING SALE CONTRACTS BELOW THE CUT-OFF PRICES. THE NEW FORMULA OF ALLOCATION ALSO CARRIED A PENALTY FOR NON-FULFILLMENT OF CONTRACT TO ENSURE THAT EXPORTERS COMPLETE THEIR JANUARY/JUNE SHIPMENT OF GOODS ACCORDING TO ALLOCATIONS MADE TO THEM.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 NEW DE 05351 080714Z

4. COMMENT: ON THE FACE OF IT, TEXPROCIL'S ACTIONS WERE DIRECTED TOWARD RALIZING A HIGHER VALUE FOR INDIAN APPAREL EXPORTS. VISWANATHAN HAS DENIED CHARGES OF FAVORITISM AND MISMANAGEMENT AGAINST TEXPROCIL. HOWEVER, A SOURCE IN TEXPROCIL TOLD CONGEN THAT SOME FIRMS ARE TRYING TO RETURN PART OF THEIR ALLOCATIONS WHICH INDICATED THAT THEY HAD APPLIED FOR ALLOCATIONS WITHOUT CONFIRMED EXPORT CONTRACTS. AN INDUSTRY SOURCE REPORTED THAT MANY GENUINE EXPORTERS WITH READY-TO-SHIP GOODS WERE DENIED ALLOCATIONS.

5. ACCORDING TO PRESS REPORTS, EXPORTERS WHO WERE DENIED ALLOCATIONS IN THE CURRENT JANUARY-JUNE PERIOD MAY BE GIVEN ADVANCE ALLOCATIONS FROM THE NEXT HALF-YEARLY QUOTA. A SOURCE IN TEXPROCIL CONFIRMED THE PRESS REPORTS AND STATED THAT GOI HAS APPROACHED THE U.S. GOVERNMENT FOR PERMISSION TO DRAW IN ADVANCE (UPTO 10 PERCENT) ON THE COUNTRY QUOTA FOR THE JULY/DECEMBER 1978 PERIOD.

6. PARADOXICALLY, APPAREL EXPORTERS ALLEGE THAT TEXPROCIL IS HEAVILY ORIENTED TOWARDS FABRIC EXPORTERS AND HAS FAILED TO PROTECT THE INTERESTS OF APPAREL EXPORTERS. ONE COMPLAINT WAS THAT APPAREL INDUSTRY DID NOT RECEIVE ADEQUATE

REPRESENTATION ON THE BOARD OF THE COUNCIL. AN INDEPENDENT
APPAREL EXPORT PROMOTION COUNCIL IS LIKELY TO BECOME
FUNCTIONAL THIS MONTH. COURTNEY

UNQUOTE
GOHEEN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, CORRUPTION, EXPORT QUOTAS, ALLEGATIONS, EXPORTERS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE05351
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780153-0182
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780486/aaaacupi.tel
Line Count: 122
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 628b5cb5-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 BOMBAY 836
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3054769
Secure: OPEN
Status: NATIVE
Subject: ALLEGED MALPRACTICES IN TEXTILE EXPORT QUOTA ALLOCATION
TAGS: EIND, IN, TEXPROCIL, TEXTILE EXPORT PROMOTION COUNCIL
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/628b5cb5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014